

April 2, 2009

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: ANPR-Corporate Credit Unions

Dear Ms. Rupp:

In light of the unprecedented actions that have occurred in the credit union industry over the past few months our management team is very much appreciative of the opportunity to express our opinion to the NCUA board, especially as it pertains to corporate credit unions.

Given the recent conservatorship of U.S. Central Federal Credit Union and Western Corporate Federal Credit Union, as well as the significant losses to be incurred by natural person credit unions, like ours, that had no direct role in their cause, it is our request that your agency do everything in its power to limit said losses and take the required action to ensure history does not repeat itself.

The following comments track the issues identified in the advance notice of proposed rulemaking (ANPR):

The Role of Corporates

Payment system: The fact that some corporate credit unions, including ours, namely Mid-Atlantic Corporate Federal Credit Union, have been able to successfully navigate the waters and offer both payment services and investment products, while achieving the then-required capital standards, gives proof that this business model is viable in combination. The real issue is that of ensuring that each corporate has sufficient capital, going forward, to offset the risks inherent in its operations.

Liquidity and liquidity management: It is imperative that the corporate's primary function remain that of a liquidity provider to natural person credit unions. It is also important, however, that they have the ability to offer ancillary products and services that are of value to their members, especially in a constricting market with limited vendor options. As to the issue of the implementation of additional cash flow duration limitations the best solution appears to be that of increased scrutiny of the corporate's investment portfolios by properly trained examination personnel, as opposed to specific regulatory limitations.

Field of membership issues: As is the case with natural person credit unions the decision regarding an institution's field of membership should be left to its respective management team. The issues currently facing the corporate network were caused by poor investment decisions by a few corporates with a lack of both management and regulatory oversight, as opposed to national fields of membership.

Expanded investment authority: Per the response above the current issue, as best we know, was not a result of a particular corporates expanded investment authority but by other factors. If that's the case action has to be taken to address the root cause while not impeding the corporates ability to provide liquidity and services to its membership.

Structure;two tiered capital: Given that many corporates availed themselves of the settlement broker/dealer services that U.S. Central provided it appears that an entity offering such services, but little else, is necessary going forward.

Corporate Capital

In light of the recent corporate conservatorships there's no doubt that the current capital structure is inadequate and that some form of paid in capital is required, especially for those natural person credit unions that use the corporate for investment purposes. From a competitive standpoint the capital parameters should be the same for all corporates and be in line with other types of financial institutions, preferably risk based.

Other

Realizing that the rationale for many natural person credit unions to invest through the corporates is to increase their returns, while retaining both safety and liquidity, it only makes sense that corporate credit unions have ancillary investment powers. The critical component is to ensure that such investments are properly modeled, tested and reviewed by your agency.

In regards to corporate governance the current structure seems appropriate and any talk of an "outside director" runs counter to the credit union movement's founding principles.

In closing our management team strongly encourages the NCUA board members to take rational actions to improve the corporate network structure while exploring all options to limit the related financial losses of natural person credit unions.

Sincerely,

James F. McCaw
President/CEO

cc: VCCU Board
J. Murray, Mid-Atlantic Corporate FCU
J. McCormack, PCUA